

Message Text

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PAGE 01 STATE 189071

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FOLLOWING REPEAT NEW DELHI 11205 ACTION SECSTATE 23 AUG

QUOTE

UNCLAS NEW DELHI 11205

E.O. 11652: N/A

TAGS: ETRD, IN

SUBJECT: JUTE INDUSTRY SITUATION

FOLLOWING SENT ACTION NEW DELHI AUG 23RD FROM CALCUTTA

RPTD TO YOU:

QUOTE:

CALCUTTA 1717

E.O. 11652: N/A

TAGS: ETRD, IN

SUBJ: JUTE INDUSTRY SITUATION

REF: CALCUTTA 1193

1. THE SOMEWHAT GLOOMY PICTURE OF INDIA'S JUTE INDUSTRY
WHICH REFERENCE TELEGRAM PAINTED SHOULD BE MODIFIED

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PAGE 02 STATE 189071

AGAINST RECENT EVIDENCE THAT WHILE THE SITUATION IS ONE FAR

FROM IDEAL, THINGS HAVE IMPROVED.

2. OFFICIAL STATISTICS OF THE FIRST SIX MONTHS OF 1974

(SOURCE: OFFICE OF THE JUTE COMMISSIONER) TELL THE STORY:

JUTE PRODUCTION FIGURES (IN TONS)

	1972	1973	1974
JANUARY	111,900	92,100	47,500
FEBRUARY	105,900	92,800	59,800
MARCH	117,300	105,400	93,300
APRIL	112,600	93,900	76,800
MAY	108,000	98,000	96,900
JUNE	97,600	90,300	99,900
JULY (PRELIMINARY)	101,600	95,300	88,00

JUTE EXPORT FIGURES (IN TONS)

	1972	1973	1974
JANUARY	51,500	47,200	41,900
FEBRUARY	54,400	42,900	15,800
MARCH	55,700	44,000	45,400
APRIL	75,700	51,000	48,400
MAY	52,800	49,300	34,200
JUNE	58,600	48,600	66,000

3. THE IMPROVED PICTURE IS MAINLY DUE TO A BETTER ELECTRIC POWER SUPPLY SITUATION. POWER CUTS IN THE CALCUTTA INDUSTRIAL AREA WERE MOST SEVERE IN THE MONTH OF APRIL, AND PRODUCTION FIGURES REFLECT THIS.

4. JUTE INDUSTRY SOURCES HERE CAUTIOUSLY WELCOME THE INTRODUCEMENT OF GOVERNMENTAL POWER RATIONING. UNDER THE SCHEME MADE EFFECTIVE AUGUST 12, ALL INDUSTRIES IN THE SOUTHERN WEST BENGAL, CALCUTTA, NADIA AND MURSHIDABAD DISTRICTS ARE COMPELLED TO RESTRICT THEIR USAGE OF COMMERCIAL POWER BY ONE DAY PER WEEK, ALTHOUGH CERTAIN EXCEPTIONAL ARRANGEMENTS ARE ALLOWED FOR INDUSTRIES WHICH UTILIZE NIGHT SHIFTS. JUTE

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PAGE 03 STATE 189071

INDUSTRIALISTS ARE PLEASED AT THE PROSPECT OF A PRE-DETERMINED, REGULATED, UNINTERRUPTED SUPPLY OF POWER, AND VIEW IT AS MORE PALATABLE THAN THE SPORADIC UNPREDICTABLE SUPPLY OVER THE LONGER WEEK WHICH HAS BEEN THE PATTERN OF RECENT MONTHS. THOSE COMPANIES WHICH ALREADY HAVE THEIR OWN CAPTIVE GENERATING SETS IN PLACE (AMERICAN-OWNED LUDLOW IS ONE OF THEM) ARE IN COMPARATIVELY GOOD SHAPE, AS THE DAY'S LOSS OF COMMERCIAL POWER CAN BE MADE UP FROM THEIR OWN SUPPLY.

5. WITH THESE POSITIVE INDICATORS NOTED, IT IS WELL TO NOTE THAT OTHER PROBLEMS MAY LIE AHEAD FOR THE JUTE INDUSTRY. SEVERAL INDUSTRY LEADERS WE HAVE TALKED WITH ARE CONCERNED OVER WHAT THE RECENT TIGHTENING OF BANK CREDIT BY THE GOI WILL DO TO THEIR NORMAL BUSINESS OPERATIONS, MUCH LESS TO EXPANSION PLANS. MORE IMPORTANTLY, THERE MAY BE BAD NEWS AHEAD IN TERMS OF RAW JUTE AVAILABILITY, AS FARMERS SWITCH TO CULTIVATION OF PADDY. WEST BENGAL AGRICULTURAL MINISTER SATTAR ESTIMATED THIS WEEK THAT THERE WOULD BE 40 PERCENT LESS JUTE PRODUCED IN THE STATE AND AVAILABLE TO ITS INDUSTRY IN 1974-75 BECAUSE OF A PROPORTIONATE SHRINKAGE IN ACREAGE UNDER CULTIVATION. JUTE CORPORATION SURCES HERE INDICATE THAT ACREAGE DEVOTED TO JUTE CULTIVATION IS ALSO DOWN IN ASSAM, BIHAR, ORISSA, ANDHRA PRADESH AND TRIPURA. RECENT FLOODS IN NORTHEASTERN INDIA HAVE ADDED ANOTHER NEGATIVE FACTOR. AFTER A GOOD CROP YEAR IN 1973-74, IN WHICH RAW JUTE SALE PRICES FELL AS INDUSTRY PURCHASES TAILED OFF AND JUTE CORPORTION SUPPORT BUYING WAS INADEQUATE, THE PROSPECTS NOW ARE FOR A MUCH REDUCED CROP, INCREASED RAW JUTE PRICES, AND HIGHER PRODUCTION COSTS. THE CYCLE WHICH THE JUTE CORPORATION WAS MAINLY CREATED TO REGULATE THIS CONTINUES; THE CORPORATION HAS YET TO OBTAIN A COMMANDING, STABLIIZING POSITION IN THE JUTE MARKET. PICKERING

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